

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Wilmington Savings Fund Society, FSB

Holding Company: WSFS Financial Corporation

Point of Contact:	Thomas W. Kearney, EVP-RRISCC	RSSD: (For Bank Holding Companies)	437914-Wilmington Savings Fund Society, FSB
UST Sequence Number:	514	Docket Number: (For Thrift Holding Companies)	H-1232
CPP/CDCI Funds Received:	52,625,000	FDIC Certificate Number: (For Depository Institutions)	17838
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	January 23, 2009	City:	Wilmington
Date Repaid ¹ :	N/A	State:	Delaware

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Once again, WSFS appreciates the bold actions of the US Treasury and regulatory agencies during the financial crisis to stabilize the economy. WSFS participated in the CPP program to further those ends. We are therefore pleased to present our progress on the use of those funds and how our use is both consistent with the Treasury's goals and our stated Mission at WSFS, "We Stand For Service and strengthening our communities." Increase lending or reduce lending less than otherwise would have occurred. WSFS continues to lend to our customers. During 2010, the Bank increased net loans \$96.7 million. This increase includes the loans (\$106.2 million) acquired from the Christiana Bank & Trust (CB&T) acquisition. Excluding the CB&T loans, total commercial loans grew \$53.1 million, or 3% over the prior

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The increase in lending was primarily in the Commercial & Industrial (C&I) and Commercial Real Estate (CRE) loan portfolios with a modest increase in the Consumer loan portfolio.

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X Increase securities purchased (ABS, MBS, etc.).

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X Make other investments.

The Bank continues to invest in its franchise and in the community by opening new branch offices. During 2010, the Bank opened one new branch office and relocated/renovated two other branch offices to new locations. In addition, the Bank plans to open seven new branch offices during 2011 and relocate one other branch office to a new location. This investment in expansion has resulted in the Bank having made 84 adds-to-staff in 2010, which included 46 Associates from Christiana Bank & Trust, as well as anticipating having 80 adds-to-staff in its 2011 budget. WSFS continues its expansion during a time period where the national unemployment rate at May 31, 2011 was at 9.1%, and a State of Delaware's unemployment rate at 8.2%, further supporting the local economy.

X Increase reserves for non-performing assets.

The Allowance for Loan Losses (ALLL) was strengthened to \$60.3 million at December 31, 2010. The ALLL was \$53.4 million at December 31, 2009. This is an increase of \$6.9 million.

X Reduce borrowings.

Primarily as the result of improved deposit gathering, the Bank significantly reduced its borrowings and improved its liquidity during 2010. FHLB advances were \$488.9 million at December 31, 2010, compared to \$613.1 million at December 31, 2009. This is a decrease of \$124.2 million.

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X Increase charge-offs.

Loan charge-offs increased during 2010. Commercial loan charge-offs for 2010 were \$26.3 million; compared to \$21.2 million for 2009. Consumer loan charge-offs were \$5.8 million for 2010; compared to \$2.4 million for 2009. Residential Mortgage charge-offs were \$2.2 million for 2010; compared to \$1.1 million for 2009.

X Purchase another financial institution or purchase assets from another financial institution.

WSFS successfully completed the acquisition of Christiana Bank & Trust (CB&T) on December 3, 2010, adding \$106.2 million in loans, \$173.8 million in customer deposits and more than \$7 billion in assets under management or administration, as well as adding 46 new Associates to its work force.

X Held as non-leveraged increase to total capital.

In July 2009, the Holding Company contributed \$34.2 million of TARP capital to the Bank (Wilmington Savings Fund Society, FSB). This contribution brought the total amount of TARP capital contributed to the Bank to 90% of the original amount. In December 2010, the Holding Company contributed an additional \$20 million of capital to support the Bank's growth and stability. This contribution included additional TARP funds, as well as cash received from other capital raises over the last two years.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

WSFS has taken a number of actions during 2010. These actions are part of the Bank's business plan or are normal banking activities conducted by the Bank. However, the capital infusion of CPP funds was an aid in assisting the Bank with these actions and it is reasonable to assume that had we not taken CPP funds we would not have been able to do some, or many of these actions. These actions include the following:

- The Bank increased net loans \$96.7 million. This increase includes the loans (\$106.2 million) acquired from the Christiana Bank & Trust (CB&T) acquisition. Excluding the CB&T loans, total commercial loans grew \$53.1 million, or 3% over the prior year despite intentional declines of \$90.6 million, or 39%, in construction loans. The increase in commercial loans was also partially offset by a \$34.3 million decline in residential mortgage loans. Consumer loans increase approximately \$9.0 million during 2010.
- The Bank has purchased agency and non-agency mortgage backed securities (MBS) with short durations, strong cash flows and significant liquidity. During 2010, the Bank purchased a total of \$382 million of MBS.
- WSFS' capital position improved during 2010. Shareholder's Equity was \$367.8 million at December 31, 2010; compared to \$301.8 million at December 31, 2009. This is an increase of \$66.0 million.
- The Bank continues to invest in its franchise and in the community by opening new branch offices. During 2010, the Bank opened one new branch office and relocated/renovated two other branch offices to new locations. In addition, the Bank plans to open seven new branch offices during 2011 and relocate one other branch office to a new location. This investment in expansion has resulted in the Bank having made 84 adds-to-staff in 2010 which included 46 Associates from Christiana Bank & Trust, as well as anticipating having 80 adds-to-staff in its 2011 budget. WSFS continues its expansion during a time period where the national unemployment rate at May 31, 2011 was at 9.1%, and to the State of Delaware's unemployment rate at 8.2%, further supporting the local economy. In addition, WSFS successfully completed the acquisition of Christiana Bank & Trust (CB&T) on December 3, 2010, adding \$106.2 million in loans, \$173.8 million in customer deposits and more than \$7 billion in assets under management or administration, as well as adding 46 new Associates to its work force.
- The Bank significantly reduced its borrowings and improved its liquidity during 2010. FHLB advances were \$488.9 million at December 31, 2010, compared to \$613.1 million at December 31, 2009. This is a decrease of \$124.2 million.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Bank's business plan or normal banking activities include the following actions. The capital infusion of CPP funds was an aid in assisting WSFS with a number of these actions during 2010. These actions included: 1) a net increase in loan balances; 2) the purchase of a significant amount of MBS; 3) a significant improvement in WSFS' capital position; 4) the continued investment in the Bank's franchise; 5) a significant reduction in borrowings; 6) the Bank's continuing efforts to work with its borrowers regarding mortgage loan modifications, and 7) the Bank's participation in a number of Federal and State programs as indicated below.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The Bank has lent or participated in a number of initiatives to support economic development and recovery in Delaware. The infusion of CPP funds was an aid in assisting the Bank in taking these initiatives. These initiatives are listed below:

- Blood Bank of Delmarva - In 2010, WSFS provided a \$6 million construction/term loan for the purpose of renovating the headquarters facility of the Blood Bank of Delmarva. The organization provides blood collection and distribution services for hospitals throughout the Delaware, Eastern Maryland and Eastern Virginia regions.
- Connections Community Support Programs, Inc. - WSFS provided a \$8.85 million bank-owned tax exempt revenue bond for refinance of a \$6 million existing tax-exempt revenue bond issued under a letter of credit from WSFS and \$2.8 million in existing taxable term debt provided by WSFS and another lender. Barclays Bank Delaware purchased a \$1 million participation in the bond. Connections, a full-service mental healthcare organization, provides on-site supervision and care for over 250 residents who have long-term mental health issues, as well as outpatient medical and psychiatric care for over 10,000 individuals throughout the State of Delaware.
- Monroe Terrace Associates, L.P. - This is a rehabilitation project for 38 existing Section 8 subsidized rental units in West Center City Wilmington. WSFS provided a \$1.7 million construction loan with a 50% participation sold to Barclays Bank Delaware. Permanent financing to pay off the construction loan will be provided by Delaware Community Investment Corporation, a multi-bank consortium of which WSFS is a member.
- WCV Associates, L.P. - This is a rehabilitation project for 55 existing Section 8 subsidized rental units in West Center City Wilmington. WSFS provided a \$1.4 million construction loan with a 50% participation sold to Fulton Bank- Delaware National Division. Permanent financing to pay off the construction loan will be provided by Delaware Community Investment Corporation, a multi-bank consortium of which WSFS is a member.
- Port Contractors, Inc. - WSFS provided \$2 million, as an expansion of an initial \$22 million in construction and working capital financing provided in 2009, for the establishment of a green energy food and yard waste composting facility in an industrial area in a low to moderate-income area of South Wilmington. The facility recycles potential landfill waste and provides employment for individuals in the local area.
- SBA-Guaranteed Loans - WSFS Bank is a Preferred Lender under the Small Business Administration 7(a) guaranteed loan program. Through fiscal year 2010, WSFS originated 8 SBA 7(a) loans for \$2.7 million. As of December 31, 2010, the Bank had \$12.7 million outstanding in SBA-guaranteed loans, including four loans with outstanding balances of \$1.0MM or more. The loans are primarily to businesses that would not qualify for traditional bank financing.
- SBA 504 Loans - Through the auspices of SBA-designated Community Development Corporations, WSFS originated 2 loans for \$965 thousand with subordinate SBA 504 loans of \$770 thousand during fiscal year 2010. The 504 program promotes economic development by small businesses.
- Delaware Access Loans - In 2010, WSFS originated 11 loans for \$1.2 million under the Delaware Access program in conjunction with the State of Delaware Economic Development Office. The Access program is used for businesses that would not qualify under normal underwriting guidelines.
- Federal Home Loan Bank of Pittsburgh Banking on Business - Two loans totaling \$922 thousand were extended in 2010 for small businesses in Claymont, Delaware in conjunction with the Federal Home Loan Banking on Business (BOB) program. The BOB program is a highly competitive program that offers reduced rates for qualified small business loans.
- Contributions and Volunteer Support - WSFS continued its long history of supporting community needs by directly contributing to approximately 200 nonprofit organizations in support of the WSFS mission of "strengthening our communities". WSFS Associates also take advantage of multiple opportunities to support a wide variety of community support projects and programs through Team WSFS, a coordinated outreach with over 200 Associates contributing over 2,500 hours to community service in 2010.